

1 CALIFORNIA HORSE RACING BOARD
2 REGULAR BOARD MEETING
3
4 Thursday, July 22, 2004
5 10:00 A.M.
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9 DEL MAR SATELLITE WAGERING FACILITY
10 2260 Jimmy Durante Boulevard
11 Del Mar, California
12
13 BOARD MEMBERS PRESENT:
14 William A. Bianco, Member
15 Sheryl L. Granzella, Member
16 Roy C. Wood, Jr., Executive Director
17 John C. Harris, Chairman
18 Roger H. Licht, Vice Chairman
19 Marie G. Moretti, Member
20 John C. Sperry, Member
21 Derry L. Knight, Deputy Attorney General
22
23
24 Reported by: Laura Longarini, CSR 12384
25 Job No: 04-26637

1 Director on Vesicular Stomatitis.

2 9. Discussion and action by the Board on the request of

3 the Oak Tree Charitable Foundation to distribute

4 \$85,000 in charity racing proceeds to 27

5 beneficiaries.

6 10. Staff report on the following concluded race

7 meetings:

8 A. San Joaquin Fair at Stockton from June 16

9 through June 27, 2004.

10 11. Report of the Race Dates Committee

11 12. Other business: Communications, reports, requests

12 for future action of the Board.

13 13. Old business: Issues that may be raised for

14 discussion purposes only, which have already been

15 brought before the Board.

16 14. Executive Session: For the purpose of relieving

17 advice from counsel, considering pending

18 litigation, reaching decisions on administrative

19 licensing and disciplinary hearings, and personnel

20 matters, as authorized by Section 11126 of the

21 Government Code.

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1 DEL MAR, CALIFORNIA; THURSDAY, JULY 22, 2004

2 10:00 A.M.

3

4 MR. WOOD: Good morning ladies and gentlemen,
5 welcome to the regularly-scheduled meeting of the
6 California Horse Racing Board. This meeting is being
7 conducted on Thursday, July 22 of 2004, and we're at the
8 Del Mar Satellite facility in Del Mar, California.

9

10 And before we go forward with this morning's
11 meeting, I'd like to introduce Chairman John Harris,
12 Vice Chairman Roger Licht, Commissioner William Bianco,
13 Commissioner Sheryl Granzella, Commissioner Marie
14 Moretti, Commissioner John Sperry.

15 Before we go forward with this morning's
16 meeting I would respectfully request if you would like
17 to give testimony to the board, that you please, state
18 your name and your organization.

19 If you have a business card to provide our
20 court reporter it would be very much appreciated. And
21 with that I'd like to turn our meeting over to the
22 chairman, Mr. John Harris.

23 MR. HARRIS: I'd like to welcome everyone to
24 the meeting. I will mention one thing that happened
25 this week in California racing, the sad note is the loss

1 of the stallion, Freehouse. Freehouse is one of the top
2 thoroughbred horses of all time, won at the Santa Anita
3 Derby, very top horse, and unfortunately was in a freak
4 accident and died this week. That was a big loss to all
5 who were involved. We send our condolences.

6 The first item of the agenda is going to be the
7 Oak Tree's charity date that we're moving up so that
8 Mr. Chillingworth can get on to another engagement.

9 MR. REAGAN: Good morning commissioners, John
10 Reagan, CHRB staff. You have in front of you an amended
11 list of beneficiaries that Mr. Chillingworth provided
12 to us from the one that's in the package, some minor
13 adjustments, but still in order, and we recommend your
14 approval.

15 MR. HARRIS: Any comments on this approval?

16 MR. LICHT: I have one comment. Any reason or
17 any ratio that you have in the affect of people horse
18 charities, it seems like there is an inordinate amount,
19 and I wouldn't withhold approval, but I believe that
20 people charities are a lot more important that horse
21 charities.

22 MR. CHILLINGWORTH: Chairman Chillingworth,
23 Oak Tree Racing. One of the things that you have to
24 realize, we have three sources of giving; one is the Oak
25 Tree Racing Association, and the second, foundation, and

1 third, charity days. So our blend is generally for all
2 three. We give about 87 percent of our contributions to
3 horse-related entities and we frequent one of our
4 biggest beneficiaries is Davis, the Grayson Foundation
5 and so forth. And we do a lot for the Winners
6 Foundation.

7 Are you saying in your opinion we're not giving
8 enough towards people-related?

9 MR. LICHT: What I'm saying is that the work
10 that Winners does, are so outstanding and compare those
11 organizations to Homes for Retired Geldings is comparing
12 apples and oranges. That's my personal opinion.

13 MR. CHILLINGWORTH: Well, to answer your
14 question in sequence here. Number 1, there has been a
15 lot of pressure lately, nationally, to take care of
16 retired horses and we try to respond to that. The
17 overwhelming amount of money that we give is -- let's
18 say, Winners Foundation, single biggest contributor.
19 CTHF. Also and recently retained an account to help
20 them organize their financial situation. And we give to
21 the Shoemaker Foundation, we give to the Macbeth Memorial Fund,
22 all of which have are charitable entities. We provide
23 half the funding for the cafeteria and programs that are
24 conducted there by Santa Anita and Oak Tree share that
25 expense. There are a lot of things that don't show up

1 on charity days, but we do a lot for the personnel.

2 MR. HARRIS: It may be helpful when you, at

3 some point, make a report to the board of your actual

4 giving from Oak Tree to all these things it will be an

5 impressive list, but people don't realize this.

6 MR. CHILLINGWORTH: We'll do that.

7 SPEAKER: Approval, Mr. Chairman.

8 SPEAKER: Second.

9 MR. HARRIS: All in favor.

10 SPEAKER(S): Aye.

11 MR. HARRIS: So moved.

12 Okay. The next official item on the agenda is

13 the discussion action by the board on application for

14 license to conduct a horse racing meeting of the Bay

15 Meadows Operating Company from September 3 through

16 November 7, 2004.

17 MR. MINAMI: Mr. Chairman, board members, this

18 is the application for Bay Meadows Operating Company

19 LLC, they propose to run from September 3 through

20 November 7. 49 days, one day less than 2003.

21 They will be racing five days per week,

22 Wednesday through Sunday, with 8 races Wednesday,

23 Thursday and Friday. 9 or 10 races on Saturday and

24 Sunday, holidays and other days for special interest.

25 First post will be 1:45 during the Del Mar overlap and

1 1:15 during the Fairplex. We still have some
2 outstanding documents. The horsemen's agreement, we
3 have received the stake schedule, the fire clearance and
4 post times of Breeder's Cup October 30th. Those three
5 items are still outstanding. The staff recommends that
6 the board approve the application conditioned upon
7 receiving the necessary information.

8 MS. MORETTI: Is there any issue with the
9 horsemen's agreement? Anticipated issue?

10 MR. MINAMI: I haven't heard any word on the
11 status of the horsemen's agreement.

12 MR. HARRIS: It will be nice if we could get
13 those before we approve these, it's nice to have that.
14 One issue I brought up earlier, I think it's been
15 addressed on the financial statement, that we have a
16 financial statement from Magna, but we don't have a
17 financial statement from Bay Meadows Operating Company.
18 The same way with the insurance certificate saying that
19 Magna is insured, I want to make sure that Bay Meadows
20 Operating Company is insured. We don't have anything
21 that says that that's insured. We need had a letter of
22 agreement or something stating that.

23 MR. TUNNEY: Mr. Chairman, members of the
24 board, I'm here representing the Bay Meadows Operating
25 Company, Magna Entertainment will operate at Bay Meadows

1 until the end of this calendar year. I'm not aware of
2 the issue and putting the ball in his court. But I was
3 unaware that there were outstanding issue on the
4 personal contract agreement. I talked to Jim about it
5 the it other day and I'm sure that we can get those
6 sorted out. The fire clearance -- you'll probably have
7 the letter by Friday. I talked to Bernie Thurman
8 yesterday and we'll have fire clearance by Friday. And
9 Mr. Harrison and I had a brief conversation this
10 morning, we named Bay Meadows as additionally insured,
11 so it's not under the umbrella of Magna Entertainment
12 Corporation.

13 We're willing to comply with financial
14 statements with our applications as well. This is a new
15 role for me, on a temporary basis. I was anxious, but
16 assured by Rod, he took me out to his car and you can't
17 imagine the number of hats that he had in his car. He
18 said, "I'll reach right in here pull one out for Bay
19 Meadows and you'll be just fine."

20 MR. HARRIS: Any questions on his application?

21 MR. COUTO: Mr. Chairmen, Drew Couto. To
22 answer your question with regard to the Horsemen's
23 Agreement, it's my understanding that there aren't any
24 issues relating to the agreement that he had been up,
25 until recently, working with Bernie Thurman to complete

1 the agreement and until she left it was unclear who is
2 doing that. But the agreement I'm told is ready to go.

3 MR. HARRIS: Just to clarify, in northern
4 California as I understand it, the purses are now
5 pooled. Are the purses going to be different at Bay
6 Meadows versus Golden Gate or how do you do that?

7 MR. COUTO: For the balance of the year the
8 meets were under common ownership there was a purse pool
9 agreement with the balance of the year with regard to
10 next year. That is a question whether or not that would
11 be permitted under the regulations. I think what the
12 parties have done, at this point, we have allocated
13 dates that are consistent with purse revenues at both
14 meets based on the dates and the revenues generated.

15 MR. HARRIS: For this season the calendar year,
16 2004, are the purses going to be the same as they were
17 at Golden Gate for the spring meet or is it based on a
18 handle?

19 SPEAKER: My understanding is that they are
20 continuing while under the operation to attempt to
21 balance out the purse revenues from the spring to the
22 fall, and once we have two different operating companies
23 the rules currently do not permit that, we'll try to
24 balance that based on the allegation of dates.

25 MR. HARRIS: The issue is here an overpayment

1 or underpayment coming into Bay Meadows that would
2 supplement or take away from the handlers at Bay Meadows
3 in the fall.

4 SPEAKER: There is a slight underpayment going
5 into the fall.

6 SPEAKER: There will be overpayment going into
7 the Bay Meadows, \$140,000, it's a day's distribution.
8 There have been some adjustments on the stakes and
9 overnight stakes that have been scheduled for the fall
10 meet. I'm trying to maintain that consistency that
11 we've had the last several years in northern California.
12 Drew is correct that we have a tentative agreement for
13 race dates pending the dates. Those dates in the future
14 should equalize or balance out the differences that
15 occurred as a result of the first distribution and that
16 this will run out through the end of the year so it will
17 give the opportunity of some -- if there's potential
18 overpayment we're going in with an underpayment,
19 potential overpayment to have that made up in the period
20 of November through December that Magna will be running
21 at Golden Gate Fields.

22 MR. HARRIS: Any other comments this
23 application from the audience?

24 MS. MORETTI: I'll move to approve the
25 application.

1 THE COURT: Second.

2 SPEAKER: Second.

3 MR. HARRIS: All in favor?

4 SPEAKER(S): Aye.

5 MR. HARRIS: So moved.

6 The next item is the discussion action by the

7 Board, application for license to conduct a horse racing

8 meeting at the Los Angeles County Fair from September 10

9 through September 26th.

10 MR. MINAMI: Roy Minami, Horse Racing Board.

11 This is a license application for the Los Angeles County

12 Fair, they propose to run from September 10th through

13 the 26th, 17 straight days, the same as 2003. First

14 post will be at 12:30, Monday through Friday and 12:00

15 on Saturday and Sunday. We show that the items still

16 needed to complete the application is the Horsemen's

17 Agreement, although I do not have the documents in hand.

18 I have been hold told that the horsemen's agreement

19 between the fair and TOC has been completed. The staff

20 recommends that the Board approve the application

21 condition upon receiving the additional information.

22 MR. HARRIS: Any comments by LA County?

23 Any questions from the audience, anyone?

24 MR. SPERRY: Approval Mr. Chairman.

25 MS. MORETTI: Second.

1 MR. HARRIS: All in favor.

2 SPEAKER(S): Aye.

3 MR. HARRIS: Good luck. Next item. Discussion
4 and action by the Board on the reconsideration of the
5 license of LLC.

6 MR. REAGAN: John Reagan, CHRB staff. As
7 indicated in the staff analysis of June 3rd Board
8 meeting in Sacramento, there was a discussion regarding
9 the Capitol Racing license at that time that was on the
10 agenda at that time and ultimately approved by the Board
11 conditional upon receiving additional information. The
12 two items of most importance were the financial
13 statements and the review of the purse account. First
14 of all let me address the purse account, shortly after
15 the June meeting my staff and I did get going, working
16 with Capitol and their controller on the purse account,
17 we find that it is well-documented, the ins and outs in
18 the purse account are clearly indicate, all the records
19 are excellent, and we have been testing and examining
20 those transactions very thoroughly, up to 100 percent
21 testing by the time we're done. And today, having
22 spoken to my assistant this morning, he is still on
23 course examining all those transactions and finding them
24 to be in agreement with the factual information that we
25 are receiving from outside sources like bank statements,

1 and whatnot, we're tracking the purse account carefully
2 and I'm confident, although we found a few minor
3 calculational errors, essentially the purse account is
4 accurate at this time, but does reflect overpayment of
5 two and a half million dollars. Which will ultimately
6 have to be settled out between the Capitol Racing and
7 its purse account.

8 The first account in terms of accuracy is in
9 good shape the question is, what do you do with
10 overpayment, why, and so on and so forth. That is a
11 policy decision that Capitol made with their horsemen
12 and there is the Horsemen organization, there is new
13 management and I believe -- I'm sure there are talks
14 about this very issue. But overall I think the purse
15 account in terms of the accounting records and the
16 transactions made there are accurate and we see no
17 problem with that, other than perhaps the overpayment.

18 In terms of the financial statements that were
19 received, we all know about financial statements in
20 terms of the different levels, you have compiled
21 statements which mean that the CPA firm comes in, takes
22 the numbers, and puts the number in a format and says,
23 "I'm done." A reviewed statement, they come in ask a
24 few more questions, be a little more analytically, as
25 indicated in the attached statements in the packet here

1 a review is substantially less in scope than an audit.

2 Staff reviewed the reviewed statements and

3 asked that Capitol provide us audited statements as soon

4 as possible. With Capitol's management it's clear that

5 audited statements will take a little bit more time, a

6 lot more time, they will have to go to an outside

7 independent CPA, the person that has been providing the

8 reviewed statements does a lot more work for Mr. Bieri

9 and there is certainty a lot of AICPA concerns about

10 independence and so forth. They may very well go to an

11 outside CPA and that may take months to get audited

12 statements.

13 At this point they have since complied with

14 what the Board asked in June that they did provide to

15 you financial statements and we have done a complete

16 review of the purse account. I'm here to answer any

17 questions that you may have and hopefully move forward

18 on this.

19 MR. HARRIS: We asked for an audited statement.

20 I did anyway. But I'm more concerned than the statement

21 is the collectability of some of the assets that show

22 the purse account and loans to horsemen, if you take

23 that off, then the net worth of the company is pretty

24 minor.

25 MR. REAGAN: Pretty thin.

1 MR. HARRIS: It's how collectable those are.
2 But if they could put some more capital into the
3 business that would be one easy way to fix it.
4 MR. REAGAN: I can say, Mr. Harris, having
5 worked with Capitol across the street in Sacramento from
6 our offices, that over the last several years that they
7 have been in Sacramento, there has never been a
8 financial problem, we have not had complaints that they
9 don't pay their bills. We do have that in our pocket.
10 But I agree, when we have audited statements I believe
11 there will be some difference that we notice in the
12 final product.
13 MR. HARRIS: Okay. Mr. Bieri.
14 MR. BIERI: Steve Bieri, managing member of
15 Capitol Racing LLC. Excuse me, as to the as to the
16 requests that John has made. As in the past we complied
17 with your request, if your request that a full audit be
18 done, we didn't know if you wanted it full company or
19 the purse accounts and the loans. Earlier, today John
20 said that you wanted it on the full company. That's
21 fine. We stood the light of day and for every test and
22 every aspersion that has been directed of us, we will
23 stand the light for the audit also. If that's what you
24 like, we'll do that. I will just to keep the air
25 totally clear because you're correct, the CPA is my

1 personal CPA since 1991. He knows more about me than I
2 do myself. To have independence guaranteed we'll go out
3 and find an industry specialist to do the audit and we
4 will have them do that. I think it will take a minimum
5 of three months, could take a little longer, they will
6 have to go out and check all the receivables and send
7 all the confirmations and do the work that's necessary.
8 We'll inform your office within the next week, as long
9 as it takes us to find who we'll retain and we'll start
10 the audit immediately as fast as they can do it, we want
11 this as badly as you do. We'll totally and fully
12 cooperate.

13 MR. HARRIS: I'm not clear on the financial
14 statement. Are there any -- on your balance sheet are
15 there any amounts that are owed on this agreement or
16 there are disputes on the agreement itself, but as far
17 as Los Alamitos, monies due them.

18 MR. BIERI: Contingent liability for them?

19 MR. HARRIS: I thought there was some money
20 that's some place --

21 MR. BIERI: Well, there are three monies that
22 are some place. We gave them 500,000 in cash. They are
23 retaining a million-four, a million-three, of monies and
24 they are deposited into an account that you folks
25 control every week. Per the agreement that was made in

1 Santa Anita monies that go toward a withhold -- just a
2 moment, let me ask. I didn't know what was going to
3 come up so I asked my CPA to be here.

4 SPEAKER: As of year end 2003, the 500,000 is
5 booked, the other information is taking place occurred
6 since December 31st of 2003 and that will be picked up
7 in the 2004 statements. What you have in front of you
8 is accurate as of December 31st 2003.

9 MR. WOOD: MR. Bieri, is there an
10 accountability on the reviewed financial statement that
11 indicates a contingent liability for the amount of money
12 in the litigation between the Capitol Racing, California
13 Horse Racing Board and Los Alamitos?

14 MR. BIERI: Let me introduce James Shaw, CPA in
15 San Diego.

16 MR. SHAW: Hello, my name is James Shaw, CPA
17 San Diego. On the statements which you have, when you
18 get involved in litigation once you have an audit and
19 you go into the different Standards where somebody files
20 a lawsuit against a company every day of the week and
21 you go through an assessment of the probability,
22 likelihood, et cetera and at this point, based upon the
23 information that we've got from the results of what the
24 administrative law judge said, what you've all said,
25 what the attorneys have said, we don't book a liability

1 yet we have disclosed the liability and amount of
2 potential liability and a footnote.

3 MR. REAGAN: Note five?

4 MR. SHAW: I don't have it in front of me.

5 MR. WOOD: And how much is that liability
6 shown?

7 MR. REAGAN: I think that number is
8 three-million-five.

9 MR. HARRIS: It's just that the company might
10 be undercapitalizing if it materialized that those
11 liabilities had to be paid.

12 MR. BIERI: For the last eight years we've paid
13 everything that that we owe. If it's determined that we
14 lose this lawsuit, which I don't think we will, but if
15 we do we'll honor whatever commitments we have, we have
16 not failed to date, there is no reason to think that we
17 will fail now.

18 MR. WOOD: How would you guarantee the
19 commitment, if we were to go that way?

20 MR. BIERI: When we worked out the deal at
21 Santa Anita, it was agreeable to everyone that we put up
22 the monies that we did, retained the monies that he did,
23 and we continue to make the deposits. Everyone knew
24 that might not cover. That was not a secret. And that
25 was the agreement that through the Board and ourselves

1 in Los Alamitos entered into, we're there.

2 I guess how I can tell you I can look you
3 straight in the eye and tell you if I lose this lawsuit
4 and for some bizarre reason the amounts of money exceed
5 what's being held, I will pay those monies. I have the
6 financial capabilities of doing that.

7 MR. WOOD: The million dollar escrow money, at
8 the time we put that up, probably should have been --

9 MR. BIERI: My opinion it should have been
10 zero, but in the opinion -- in the opportunity to get it
11 done we all agreed on what we have now. If the amount
12 exceeds what's being retained and is bonded for, I will
13 pay the balance. And you've had me for seven years and
14 you've not had a financial problem with me. I don't
15 want to minimize it, but we're only talking about a
16 couple million dollars.

17 MR. HARRIS: I would feel more comfortable if
18 that money would be in there now.

19 MR. BIERI: Let's go through the audit and see
20 what comes up, and I'll be glad to entertain
21 conversation -- we already made that deal in Santa
22 Anita, I'd like to stay with that deal.

23 MR. WOOD: You could understand the concern
24 that part of that money will go to the horsemen at Los
25 Alamitos if this were to be litigated in his favor to

1 your company.

2 MR. BIERI: I am aware of more than I ever
3 thought I would need to be, but the simple thing is it's
4 money, all we're talking about here is money and how
5 much money is needed. There is over two million dollars
6 currently held and money is accruing every week. We are
7 not talking about -- a million dollars is a lot of
8 money, don't get me wrong, but in the cosmic scope of
9 things it's only a couple million dollars. We'll be
10 able to handle that. Let's go through the audit and get
11 you comfortable and we'll continue to prove ourselves
12 and when we're done, we'll be fine.

13 MR. HARRIS: Any comments on this application?

14 MR. SCHIFFER: Good morning, my name is it Dan
15 Schiffer. I represent the Pacific Coast Quarter Horse
16 Racing Association. A couple days ago I gave a letter
17 to Mr. Harris I hope was distributed to the members of
18 the Board. I would request that that letter be made
19 part of the record on this topic. I can read it to the
20 Board but I would point out that based on Mr. Bier's
21 comments this morning that my understanding of
22 California law is that for a personal guarantee to be
23 enforceable, first of all, it must be in writing. So I
24 would urge the Board if they are taking Mr. Bier at his
25 word that he please provide that document to the Board

1 so that we could receive those insurances. I'll
2 dispense of reading the entire letter but I would read
3 what we requested that the Board do pursuant to title
4 4, Section 4270A which is the responsibilities of a
5 horse racing association.

6 Number 1, that Capitol bond to satisfy their
7 indebtedness to Los Alamitos be increased to 3.5
8 million. That all monies received from the simulcasting
9 from the harness signal to Los Alamitos be impounded in
10 the account being overseen by CHRB. That would be in
11 addition to the 50 percent that is presently withheld.
12 That Capitol management be barred from receiving capitol
13 distributions without CHRB approval. That the
14 management of Capitol sign personal guaranties to all
15 indebtedness to Los Alamitos and that within 30 days,
16 that Capitol submit to the CHRB a plan to eliminate the
17 overpayment of purses to its horsemen.

18 Thank you.

19 MR. HARRIS: A letter was begin to me by Dan
20 Schiffer, it's in the front seat of my car. We'll get
21 it into the record. Any of these issues we need to get
22 things to us like way ahead of the meeting. It's tough
23 to get something a the day before and there were few
24 things going on yesterday --

25 MR. LICHT: It's outrageous to rule on

1 something that we haven't seen yet. What reason is
2 there that you couldn't have this letter to us two weeks
3 ago?

4 MR. HARRIS: The overall issue has been
5 brought up before.

6 SPEAKER: I apologies to the Board. I was made
7 aware of it at the beginning the week that there was a
8 problem.

9 MR. HARRIS: Basically the owner, the horse
10 owners have what they feel is purse monies that would go
11 to them if Los Alamitos would prevail in this case.

12 SPEAKER: The horsemen have an agreement with
13 the race track to receive one half of the impact fee
14 that's in controversy. Yes, we're vested to one half of
15 the monies that are at issue here.

16 MR. HARRIS: What's the total amount of the
17 monies at issue?

18 SPEAKER: There was 3.5 million as of the end
19 of last year and that amount continues to accrue as time
20 goes on and as the court issues are being resolved.

21 MR. HARRIS: The money that's accrued where is
22 that?

23 SPEAKER: 50 percent of the monies from the
24 simulcasting of the harness are being held in an account
25 administered by the CHRB as I understand.

1 MR. HARRIS: Where is the other 50 percent?

2 SPEAKER: It is going to Capitol.

3 MR. WOOD: That was basically the agreement
4 that we all reached at time that we licensed Capitol for
5 this past meeting. That's still ongoing. Ends at the
6 end of this month.

7 MR. SPERRY: Of the half that is being retained
8 at Los Alamitos, is that enough to take care of the
9 horsemen for 2004? Money that you're holding that's
10 coming in on a weekly basis?

11 MR. SCHIFFER: I believe it is for the current,
12 but we're concerned about the past, the difference
13 between what's on deposit for the past and what's
14 potentially going to be a liability.

15 I would -- just in answer to Mr. Wood, at the
16 time that that agreement was had I don't believe that we
17 were privy to the financial that we have now seen.

18 MR. HOROWITZ: Alan Horowitz, Capitol Racing.

19 I wasn't going to comment today, but in answer
20 to Mr. Schiffer's comments there is another source of
21 funding that is being retained by Los Alamitos race
22 course. Essentially it's one half of the purse monies
23 generated from the additional six simulcast races that
24 they will be allowed to import during the periods when
25 harness is not racing and we conclude our racing at the

1 end of this month there will be seven or eight weeks
2 between the time that our meet ends and we come back
3 that harness horsemen's money will actually reside at
4 Los Alamitos and our harness horsemen have not seen a
5 dime of that money except that we advanced it to them
6 and that's created part of that overpayment and that
7 money resides under the agreement that we made with the
8 Board and Los Alamitos and it's horsemen at Los
9 Alamitos. So, there is a growing amount of money that's
10 sitting there and that amount will grow from that point
11 on during the seven or eight weeks that we're not racing
12 that they are racing that they will be able to retain
13 under the agreement that we made back in February or
14 March.

15 MR. LICHT: I have a question for
16 Mr. Schiffer. Would you not be better served to go to
17 the court and get prejudgment attachment if you need
18 security to protect your interest instead of asking to
19 the Board for it?

20 MR. SCHIFFER: Well, that's a question that you
21 would have to ask Los Alamitos, they are the payee.
22 We're just a subpayee on that and I believe that is
23 under consideration, but I'm not aware today of what he
24 concluded.

25 MR. LICHT: I don't hear Los Alamitos asking

1 for any security things that you're asking for; is that
2 right?

3 MR. SCHIFFER: I don't know if they've had
4 opportunity to speak yet.

5 MR. BLONIEN: Rod Blonien, representing Los
6 Alamitos. I believe you all received a letter from
7 attorney, Ed Freeberg, last week on this issue. In that
8 letter he asked for the same relief that the horsemen
9 have just requested. We too are concerned with the
10 balance statement in terms of the loans to the horsemen
11 and overpayment of purses. I'm informed by Mr. Freeberg
12 that the loans for the horsemen have shown up on the
13 balance sheets for three years, there is no indication
14 that there have been payments made, therefore, there are
15 no notes that exist to evidence those debts. The
16 question has to be asked as to collectability of those
17 notes. We're concerned about the overpayment of purses.
18 Mr. Freeberg in his letter indicates that a couple weeks
19 ago Capitol indicated to the horsemen a 25 percent cut
20 in purses, the horsemen were upset, they rescinded the
21 25 percent cut in purses.

22 I believe that two and a half million dollars
23 represents approximately 25 percent of the purse, an
24 amount that would be paid out over a year. I also want
25 to bring to your attention that Capitol's lease at Cal

1 Expo runs out in the next 12 months. This is a limited
2 liability company and currently I don't think there are
3 assets available to satisfy the debt requirement if the
4 order of this Board is upheld by the superior court.

5 Mr. Bieri has indicated that he would sign a
6 personal guarantee, he indicated that he would
7 personally guarantee that debt and he said that he would
8 pay it. Pardon me, I stand corrected, that he would pay
9 it. But again, if that is his intention it would be
10 wonderful that it could be formalized. Also I want to
11 bring to your attention that Capitol has also apparently
12 obtained an option to purchase an interest in a
13 racetrack in the state of New York, Vernon Downs. the
14 question that we had immediately upon hearing it is, do
15 they intend to move from California to New York? And
16 again, pointing out this is a limited liability company
17 with a lease that has approximately 12 months to go.

18 I think they are continuing to do business in
19 this stage is of some question, all we want is to be
20 protected, for our horsemen to be protected. Perhaps
21 this item should be put over to the next meeting so that
22 we have an opportunity to talk to the Board, talk to
23 Capitol and see what can be done to make certain that
24 the lease is not extended to Cal Expo, that everyone is
25 made whole. Thank you.

1 MR. BIERI: Did you ever feel like they were
2 coming at you from all sides? We have an overpayment
3 because Los Alamitos is withholding horsemen's funds.
4 The reason that we have paid as much as we have is
5 because we're responsible for our horsemen. The reason
6 that we made loans to our horsemen is to help build the
7 industry. There was a time, not long ago, when everyone
8 was saying that the Capitol Racing was the biggest
9 success story in the State of California and possibly in
10 the Nation. And now, because we advance monies to our
11 horsemen to help them get the breeds and get things
12 going and build it up, because we have advanced monies
13 on the purse pools, because Los Alamitos is keeping this
14 money, we're getting persecuted on both sides.

15 I'm not here to whine, I'm here to say, let's
16 go through the procedure, we made a deal, they need to
17 live by it, we need to live by it, and you need to have
18 your audit and everyone needs to be satisfied. At the
19 end of the day that's where we'll be. I thought this
20 was a short issue, we do not need to relive all this
21 garbage, we'll get our way through it. We will comply
22 with what you need now, thank you.

23 MR. HARRIS: I sympathize with your problem and
24 the fact that you have maintained horse racing in the
25 north. As a Board we have to look at the applications

1 and be assured that whoever is running a meeting is
2 financially stable. It's not as big an issue and there
3 are not as many third-party impacts that we have here
4 with Los Alamitos track and horsemen and your horsemen,
5 there are so many different people that are looking to
6 your financial responsibilities which I'm sure that you
7 know.

8 As I understand it, looking at this financial
9 statement I think that, you know, you have potential of
10 having essentially no net worth without putting more
11 capital into the company and I'd like to see a guarantee
12 or more capital put in or something that would insure
13 there was more stability going forward.

14 MR. BIERI: Let's go through the audit, keep
15 the deal that we have, have your concerns addressed and
16 also we would like to be copied. I don't have the
17 letter that was sent by Ed Freeberg reeling against us a
18 week ago. I don't know what was produced today. I
19 didn't even have the letter from Christo Bardis, that he
20 said I was stealing from the account, until the time of
21 the meeting. Please, ask your staff to put us on the
22 list so that we can get all correspondence regarding
23 Capitol Racing sent to us immediately upon receipt.
24 We'll stand in front of you and we will stand the light
25 of day. That's the best commitment that I can make, and

1 after the last seven years you should have no reason to
2 doubt me. Thank you.

3 MR. WOOD: I would respectfully request, and
4 we've asked this several times over the years, we would
5 be very happy to take any documentation that anyone
6 provides us and give it to all the commissioners, days
7 before we have these meetings. And we ask you to give
8 us that documentation and let us know when we can
9 receive it. So all letters and all documents that come
10 forward about an issue need to sent in to one central
11 place sent it on a timely basis so that everyone can
12 have them. Not necessarily this issue, but we get this
13 almost every contentious issue we face that people come
14 to the Board and try to present information and
15 documents at the meeting, it's not fair and we ask that
16 everyone please provide the data as we request on a
17 timely basis so we can distribute it to everyone.

18 MR. LICHT: We urge the parties to make a
19 compromise at the Santa Anita meeting, they made one.
20 That's the deal that we live up to, if they want
21 additional security --

22 MR. NEUMISTER: David Neumister,
23 N-E-U-M-I-S-T-E-R. California Harness Horseman's
24 Association. We would like to know, if possibly today,
25 that we're going to open on September 24th. We're in

1 the middle of July now, our meet is it going to end in a
2 couple of weeks and our horsemen would like to know that
3 they can turn their horses out or get them ready or do
4 something to start racing at the end of September. I
5 think any notion of putting this issue over for another
6 month would be unconscionable source of anxiety and
7 stress for our horsemen.

8 MR. HARRIS: My concern is, I agree there is
9 no recourse that the different parties can have in
10 court, but what our obligation is as the Board to insure
11 there is financial stability.

12 MR. BIERI: Our license is not in jeopardy.
13 We're complying and do as you asked. I have not heard
14 of any threat to pull our license. I don't believe
15 there is one.

16 MR. HARRIS: There is no issue. Basically I
17 think we did approve the license in the last meeting and
18 requested more information, which some of it we have, I
19 would feel better at some point if those financial
20 agreements that Mr. Bieri has acknowledged that he would
21 personally honor any substantial problems in the
22 financial statement capital, if that could be formalized
23 so that all the parties felt that any amounts due were
24 secured if the court case would go the way that it
25 might.

1 MR. SPERRY: Actually, so the Board would be
2 secured in the knowledge that it's taken care of.

3 MR. HARRIS: I think that what's before the
4 Board the last month we approved the license application
5 from Capitol Racing conditioned on the fact that these
6 documents were not available, have not been provided.
7 Subsequently to that condition these financial
8 statements have been provided for more analysis, not
9 only the staff, but other members in the industry. And
10 that's the reason why the reconsideration is here
11 because we wanted documentation provided of the
12 financial structure of Capitol Racing.

13 MR. LICHT: But the license has been granted.
14 We need notice on the record to revoke the license.

15 MR. WOOD: The license was granted with a
16 conditional basis that information was provided. I
17 suggest that if you were to consider revoking there
18 license you do it as a separate issue.

19 MR. LICHT: They did provide the documentation,
20 it wasn't conditional on approval.

21 MR. WOOD: If it's satisfy to your information,
22 that it provides information that you wanted to provide
23 you.

24 MS. MORETTI: One of the issues that we have is
25 Mr. Schiffer's request that we haven't seen and I'm not

1 willing to entertain anything that comes in that I think
2 that Mr. Bieri has responded to everything that we asked
3 him to do including the audit. I don't see that there
4 is an issue here.

5 MR. HARRIS: Other comments on this issue?
6 It's not an action item.

7 MR. WOOD: It is an action item. It doesn't
8 require you to take amount action if you what you
9 received is what you wanted.

10 MR. HARRIS: What I received is not what I
11 wanted. I think the rest of the Board is happy with it,
12 so it's their decision.

13 MR. LICHT: I don't think we're happy with it.

14 MR. HARRIS: I need an audit statement that
15 reflected the true financial net worth of the company.

16 Of course, it's not an issue as long as there
17 is enough net worth in the company to take care of
18 various contingent liabilities that are out there, they
19 could put more capital in.

20 MR. WOOD: Was it your statement earlier that
21 you would provide the audited statements? Is there a
22 date that we could look forward to getting that?

23 MR. BIERI: I know what Mr. Harris is talking
24 about at the last meeting. But at that point we made
25 the comment that everyone submitted reviewed statements.

1 There was discussions of audited statements, we never
2 provided one, it was acceptable that we turned in our
3 reviewed statement. If you check your minutes you'll
4 find that that is in there and that that is accurate.
5 We're going to provide the audited statements just to
6 close down another attack on us. But because of the
7 requirements of audited statements, as I said earlier,
8 we'll retain another firm that it's expertise is away
9 from me, so that no one can say there is any hanky panky
10 to get this done. So we have to retain one first, get
11 into their workload. Second, get all the confirmations
12 out. Third, get it all back and do all the work.

13 Realistically do I think that can be done in as
14 fast as two months? I think I would be misleading you
15 in saying I think it could be done that fast. But what
16 I did say earlier, is that within a week we'll find a
17 firm, we'll communicate to John or Roy or whoever you'll
18 like us to do and we'll get it on it as fast as possible
19 because we're tied of this assault as much as everybody
20 is of these discussions. We just want to put it to bed.
21 We'll go as expeditiously as we can.

22 MR. HARRIS: The main thing that we'd like just
23 that the adequacy of your total assets -- are there
24 assets that you show that should be written down,
25 basically the overpayment and loans to horsemen and I'm

1 not sure --

2 MR. BIERI: I know what your concern is, your
3 concern is that we're solvent. We have never missed a
4 payment yet. What we're talking about the pressure of
5 this contingent liability. Let's go through the
6 procedures and we'll work with you. And Mr. Harris,
7 I'll be glad to come up to your ranch and we'll work
8 through it. I want all of you to believe in us, you did
9 until recently. Now we have to prove ourselves again,
10 we're not afraid to do that.

11 MR. SPERRY: Mr. Bieri, let me ask of you, the
12 preliminary information that we have shows that there is
13 a possible liability that is greater than the assets
14 that you currently have on the books.

15 What we're concerned about and want to make
16 sure is that there is enough money, and as you point out
17 it's only two million dollars, so it's not a big deal.
18 But there is enough money to be paid in the event that
19 it's necessary to have it paid. I can't to go the bank
20 with just you're saying that I'll take care of it.

21 MR. BIERI: I understand, but Mr. Sperry, we
22 made an agreement in February.

23 MR. SPERRY: We made an agreement with who?

24 MR. BIERI: This Board and Los Alamitos to go
25 forward. And we're going around in circles here. Let's

1 get the audit done and once it's done, let's have this
2 conversation and let's see what the issue really is.

3 MR. SPERRY: You're telling me it's going to
4 take two or three months to do the audit. I know that
5 you can get it done faster than that if that becomes the
6 number one priority.

7 MR. BIERI: I'm not going to do it. But any
8 suggestions that you have from CPAs that you can give us
9 we'll interview them. After this meeting is over why
10 don't you and I sit down and I'll be glad to get any
11 help that anyone can provide I would gladly accept.

12 MR. HARRIS: I think the issue is going to be
13 that when the audit is done it may very well be there
14 needs to be something done to better stabilize the
15 companies. Shall we move on now. Let's go to the next
16 item.

17 Next item is, report by representatives of TOC
18 and the CTT on the impact of the horse racing industry,
19 of the Workers' Compensation Insurance subsidy (AB701)
20 for owners and trainers.

21 MR. COUTO: Good morning. You had asked for an
22 update on the status of the Workers' Compensation
23 program and the effect thereof.

24 SPEAKER: Let me give you a give you a brief
25 outline of how the program works. Two organizations have

1 been created to help bring down the costs of the
2 Workers' Comp in California in an attempt to bring
3 horsemen back to California and stop them from leaving
4 California. The first organizations in California was
5 formed basically by the TOC and the CTT. That was
6 formed last year as a program administer whose function
7 it is to help further reduce Workers' Comp premiums by
8 monitoring the programs very carefully. This
9 administrator does periodic premium audits of all the
10 trainers in the program and also currently, or recently,
11 created safety programs for backstretch workers and for
12 on-track workers, such as riders and jockeys who have
13 just completed a video, a safety video, which will be
14 shown to workers and people that take part on the track.
15 A safety handbook has also been created.

16 The administrator also reviews all claims and
17 does case follow ups on all injuries to insure care for
18 those that are injured and also to insure that the cases
19 are closed in a timely manner to keep costs down.

20 The second component of the program is an organization
21 called the California Thoroughbred Business League. The
22 California Thoroughbred Business League was formed by
23 the racing associations, the TOC, CTT and CTBA in order
24 to administer the use of AB701 funds the extra half of a
25 percent take out. There are three proponents to the way

1 that money will be used.

2 The first proponent is to pay a subsidy
3 directly to the insurer, AIG, to supplement the trainers
4 Workers' Comp payments and bring down the cost of
5 Workers' Comp. Currently that subsidy is figured at
6 \$8.71 per hundred of per premium. That amount, along
7 with letters of credit that have been put up by the
8 racing associations to AIG in order to assure that AIG
9 does not lose money in this program, bring the base
10 premium rate of California down from about \$22 per 100
11 under the AIG program.

12 From that, well, we'll get back to that in a
13 second. That's one benefit component. The second
14 benefit component that this 701 money will be used for
15 is to pay a starter fee for every horse that starts in a
16 thoroughbred racing in California. Currently that
17 amount in southern California is \$400, that's guaranteed
18 to everybody that finishes fifth or lower in a race.
19 \$400 in southern California, \$300 in northern California
20 and \$175 at the fairs. Then there is also a third
21 component is the jockey race subsidy.

22 MR. COUTO: The fairs run an overlap. They
23 receive the same as a major meet in California. That's
24 \$300 as well.

25 SPEAKER: There is a jockey subsidy rate. The

1 jockey's Workers' Comp base rate with AIG is \$116 per
2 start. But some of the 701 money is used to pay a \$50
3 subsidy for that. Bringing down the cost for each
4 jockey note to \$66. All these rates that I give you are
5 the base rates then affected by premium-sized discount
6 depending on the premium the trainers are paying, the
7 larger the premium they pay they get a bigger discount
8 10 to 14 percent discount off that. And It's also
9 affected by an individual's trainer's experience
10 modifications. The more accidents that they have, the
11 higher rate they pay --

12 MR. HARRIS: \$66 would be the average though?

13 SPEAKER: Well, the average experience mod in
14 California it's probably lower than that. The average
15 experience mod in California is 90 percent.

16 MR. HARRIS: 100 percent experience mod.

17 SPEAKER: 66 less your premium-sized discount,
18 which could be 10 percent of that. You should be paying
19 about 60 before the experience modifications. The
20 average would be 90 percent of 60.

21 MR. HARRIS: When did that start?

22 SPEAKER: The policy started July 1st.

23 MR. COUTO: What we've identified is we've
24 looked in reviewing so far the performance program we
25 what we consider our first hurdle and that has to do

1 with the jockey. When we reached our agreement with AIG
2 The CTL using 701 monies made a payment to AIG to bring
3 the rates down. We're responsible for 28 percent of the
4 premium. That adjusted the trainers' jock meltdown as
5 well. The problem is that hasn't been communicated very
6 well. And we just became aware that some AIG trainers
7 have, not intentionally, but will take responsibility
8 for that, our billing at the full premium rate rather
9 than reduced by \$50 which it should be. It is a problem
10 area that we have identified and we're working to
11 correct that as soon as possible. But the rates went
12 into effect on July 1. Most people should start billing
13 at the end of the month.

14 MR. LICHT: Are you going to check out the
15 impact on the handle, the increased takeout increase of
16 the handle?

17 MR. COUTO: We'll monitor that. And the
18 question is how we'll identify that as a factor, but
19 yesterday the overall handle at Del Mar was up, despite
20 the smaller on track attendance, which means that handle
21 elsewhere was actually increased over last year. That's
22 not enough to make a determination.

23 MR. HARRIS: One of the issues was if you could
24 pass that on from your fees, if you will sell us three
25 percent and there is half percent interest, are you able

1 to get the half percent or absorb it?

2 MR. COUTO: I have gotten a report that we have
3 100 percent buyout on this, there are no issues as to
4 who is paying half percent and who isn't.

5 MR. LICHT: What about getting the trainers to
6 reduce their day rates? Is TOC involved in that at all
7 in monitoring what trainers have done to pass the
8 savings onto the owner?

9 MR. COUTO: We have not directly monitored
10 that. We have had quite a few discussions with the CTT.
11 We're advocating owners to have this discussion with the
12 trainers and now that the rates are subsidized to
13 determine if there is no reduction why that fact is the
14 case, but we have not obviously gone out and mandated,
15 which we could do, but hopefully both sides will see
16 some change.

17 MR. HARRIS: Obviously this AB701 does not
18 enrich the trainer. Not one trainer has reduced his day
19 rate \$1.00 to my knowledge.

20 MR. COUTO: Given that the rate reduction did
21 not take place until July 1, I don't know that any bills
22 for the first month of the July would have gone out. We
23 should have a good indication at the end of this month.
24 Again, what we're finding is that if we have a problem
25 area in the program so far it's the fact that the

1 benefits to trainers is not clearly spelled out in how
2 that should be transferred to owners. Again, is
3 something that we have to work through both sides to get
4 this through.

5 MR. HARRIS: It's important that TOC do a good
6 job of educating the owners.

7 MR. COUTO: We concur with that. It is a new
8 program for all of us. The effort that has been put on
9 the group is remarkable, we're learning as we go, trying
10 to identify the problem areas, trying to improve of the
11 program and admittedly we'll come up short in some areas
12 and we'll continue to improve that.

13 One thing that I would like to add and then
14 I'll turn this back to Ed, but as we discuss all of
15 these figures in relationship to AIG, the program
16 actually extends beyond AIG insurance to State Farm
17 insurance as well. We offer \$1.71 reduction in the
18 stable rate for Workers' Comp, we're offering a
19 corresponding reduction of \$8.71 to State Funds
20 Insurance provided they comply with the participation
21 rules set up by CTL and primarily providing audit
22 materials on their actual payroll.

23 In as well as the \$50 jock Workmans' Comp
24 supplement we're offering that to the State Fund
25 trainers as well, provided they meet participation

1 rules, the reason that I call this a problem area, we
2 are, as we go along, we're learning what is the best way
3 to allocate that money, to pay the insurer that we have
4 no relationship with State Fund or is it to be paid
5 directly to the purse account. We're working on that
6 the best way to do that as well.

7 MR. LICHT: What do you approximate, because it
8 various depending on every trainers' situation, the
9 benefit on a daily basis per horses to train?

10 MR. HALPERN: We estimate that it would be
11 approximately a difference for every trainer depending
12 on their rate, but approximately \$3 per day, per horse.
13 If you divide up the money that is spent on this program
14 amongst all the horses that are in training in
15 California.

16 I would like to point out a couple of things,
17 you have to look at a bigger picture in this regard also
18 as to not just whether there is a current reduction. I
19 think the law of competition will take care of that. If
20 you don't see a current reduction, some people can and
21 should and some people don't. Then people will start
22 asking other trainers what they are charging. It will
23 be built into the industry over a longer period of time.

24 MR. LICHT: It's my understanding though, you
25 say \$3 that the trainers who are billing for Workers'

1 Comp, some trainers bill the day rate and additional
2 Workers' Comp rate.

3 MR. HARRIS: We're starting on July 1 now.

4 MR. HALPERN: They would not send out a bill
5 yet, they would not send out a bill until August that
6 would show it. Again, you have to take a broader view
7 than that. You have to look at the overall effect in
8 the program in keeping horses in California, keeping
9 them from leaving California and bringing other people
10 back. And I can tell you from my experience on the
11 backstretch we're already seeing that. And I have a
12 couple calls from prospective owners from Kentucky and
13 the east coast and one of the first questions that they
14 ask is, have you taken care of the Workmans' Comp
15 problem. We have to give it time and what we're seeing
16 so far are very hopeful results.

17 MR. HARRIS: This is a key part of it, but
18 there was a major Workers' Comp form signed by the
19 governor that would help the situation.

20 MS. MORETTI: Would you come back in a couple
21 months and give us an update in the safety video and
22 book?

23 MR. HALPERN: Yes.

24 MR. HARRIS: What percentage of the trainers
25 are on AIG versus State Fund?

1 MR. HALPERN: We're not sure of the number of
2 trainers in California. The figures that we have are
3 currently our total in AIG program, 325 trainers are
4 representing the total premium of about 11 million six
5 hundred thousand dollars. We also are required, in
6 order to get the subsidy, that the people in State Fund
7 register with our program in advance. So that we can
8 give them a subsidy also. But we need to know how many
9 people are out there with State Fund.

10 So we advertise in the racing form and have
11 sent letters to every trainer in California to tell them
12 we need them to register with us. We received 65
13 registrants that are with State Fund. That's a total of
14 only 400 trainers. There are still some out there that
15 haven't registered or are not in the AIG program.

16 MR. HARRIS: I would think that you would have
17 a database that reflects the insurance and qualify how
18 many trainers are there and who they have the insurance
19 with.

20 MR. HALPERN: What we do have, Mr. Harris, we
21 have a total premium between the two that have
22 registered with us. Almost 14 million dollars. Of
23 which over 80 percent is with AIG. I think that pretty
24 much reflects the industry.

25 MR. HARRIS: How is it working with the other

1 breeds? Do they have a whole separate program?

2 MR. HALPERN: That is correct. This program is
3 just for thoroughbreds and the money used for it is
4 generated by thoroughbred racing. And other breeds have
5 been by a vote of the board of directors of the
6 corporation that's running the use of this money. Other
7 breeds are excluded from this because it is
8 thoroughbred-generated money.

9 MR. COUTO: Mixed breed stables, you have to
10 keep the two issues separate. There are AIG policies
11 and thoroughbred-only policies. Therefore their
12 requirement would be that they are State Fund, but no
13 matter where you are insured, you're participating in
14 the program, provided that it relates to a thoroughbred.
15 Under the State legislation there was a mechanism set up
16 for other breeds. I can't tell you what they have
17 decided to do.

18 MR. HARRIS: Comments?

19 SPEAKER: Just a question. Since fraud is so
20 rampant within the billing out of benefits and we've
21 become payees now of some of that fraud, is there any
22 probability of monitoring other than staying with AIG?

23 MR. HALPERN: I can only tell you what we do,
24 and that is what AIG does. AIG is very tough on this
25 angle of the game and monitors closely. A comic

1 footnote, when we have started this program with AIG,
2 Alex twisted an ankle in the gate of the racetrack and
3 AIG asked me how they could get in the Kentucky Derby to
4 film him. I told them they could tape it off
5 television. So they are very tight about playing claims
6 and watching for fraud. We also have our program
7 administrator that makes attempts on a regular basis
8 throughout the year to contact every claimant and find
9 out what's going on.

10 MR. LANDBERG: As long as it's within the
11 league.

12 MR. HARRIS: Okay. Anything else on this?
13 Thank you for being here.

14 MR. SCURFIELD: My name is a Ralph Scurfield.
15 Sure glad I followed this item rather than the previous
16 one. Thank you for the opportunity to address you
17 today. I am Ralph Scurfield, chairman for the
18 Sacramento Harness Association and not for profit
19 corporation.

20 This organization was formed as a result of a
21 few of us over the last couple of years, observing the
22 problems connected with the Sacramento Harness Meet;
23 such as a backstretch that desperately needed
24 improvements, legal problems concerning impact fees, and
25 of the environment. Not to mention overpayments of

1 purse and purse cuts. These early interested few people
2 that had experience in the fields of harness racing and
3 CHRB Membership, decided there ought to be a better way.

4 In looking at the total racing picture of
5 California it became apparent that the facility that
6 produced the greatest benefits to the horsemen and to
7 local government facility and to the State was Del Mar.
8 We decided that we would organize a not for profit
9 entity with a board of directors that had expertise in
10 the desired areas of horsemen and governmental oversight
11 and community leadership. We have done that and
12 appeared before of the Cal Expo Board requesting to
13 compete for the selection of the operator with harness
14 racing, September of 2005, which is when the present
15 contract expires.

16 At that meeting they agreed on a competitive
17 approach and are preparing RFQ that should be out any
18 day now. Our intention is to operate as Del Mar does
19 using the entire amount of the profits for facility
20 improvement, the purse increases, and any other
21 community activity that might contribute to the overall
22 benefit to Cal Expo Harness Racing.

23 I presented you with a roster of our board of
24 directors and I hope you that agree that it contains all
25 the elements necessary to make harness racing in

1 Sacramento a true member of the California's racing
2 family and be done with the bickering, lawsuits and
3 deterioration. I'd be happy to answer any questions
4 that you might have.

5 MR. HARRIS: Questions of Mr. Scurfield?

6 MS. MORETTI: I have a question. Would you and
7 your board, if you were to participate as the new
8 applicant, in terms of the calendar would you be
9 interested in racing harness year-round? Is that
10 something that are you're thinking about?

11 MR. SCURFIELD: Our interest would be as to
12 what California Expo wants and the harness horsemen
13 want. And we would like to comply with their wishes in
14 essence in a nonprofit entity like this our goal is to
15 benefit those two entities, horsemen and Cal Expo. If
16 it was feasible within the industry, how you operate and
17 what you'd like to see done. Yes, we would consider
18 that, certainly.

19 MR. HARRIS: We'll look forward to a good
20 discussion. Thank you.

21 (Recess.)

22 MR. MINAMI: Roy Minami, Horse Racing Board
23 Staff. I wanted to give you an update as to the rule
24 amendment that the Board had approved back in June, and
25 as you know, there has been quite a bit of attention

1 given to jockeys and how they maintain their weights,
2 sometimes to an extreme. And so I believe that at the
3 June 3rd meeting the Board directed staff to notice a
4 proposal to amend rule 1615. The Notice of Proposal was
5 published July 2, and was submitted to the Office of
6 Administrative Law at that time. The 45 -- we're in the
7 process of 45-day notice period which ends August 16th.
8 And to date we have received no comments from the
9 public. Which means that at the Board meeting in
10 August, I believe it's August 19th, the Board will adopt
11 the -- the Board can adopt the rule amendment to rule
12 1615. At that time during the Board meeting the public
13 or any other party may make their comments. And if
14 adopted, we believe that September 8th would be the
15 estimated date that the file will be delivered to the
16 Office of Administrative Law.

17 From that point the Office of Administrative
18 Law would have 30 days to review the file which would
19 end October 20th. The approved files are then effective
20 30 calendar days after submission to the Secretary of
21 State and we believe that the estimated effective date
22 of the rule amendment would be November 19th, 2004.

23 MR. HARRIS: Would this assume there were no
24 comments? It's very certain that there are going to be
25 comments in any rule that we adopt. It wouldn't be in a

1 public forum at our August meeting and we have to come
2 up with another version of the rule. This would start
3 the process again. Say you get a bunch of comments, do
4 you have the latitude to incorporate those into the rule
5 or does that become the Board and we have to hash it
6 out?

7 MR. MINAMI: Yes, if there are a lot of
8 comments, and none of those comments affect the language
9 of the rule then the calendar that I just described will
10 still hold.

11 MR. HARRIS: How would they not affect the
12 comments?

13 MR. MINAMI: That would be up to the Board to
14 decide at the time. If the comments do affect it and
15 the Board wants to make minor technical changes, then we
16 would require an additional 15-day notification period.

17 And then another scenario would be if the Board
18 heard these comments and wanted to make substantive
19 changes to the language that would result in another
20 45-day comment period. It would depend on the nature
21 and the substance of the comments made to the Board and
22 the Board's action and affect on the language itself.

23 MR. HARRIS: Everyone I talk to has an opinion
24 on this, ranging quite a few different directions. In a
25 way I think there is need for change, but we want to

1 make sure that we address some of the concerns that are
2 out there.

3 MR. WOOD: Mr. Chairmen we solicited anyone who
4 has commentary to regulate the proposed -- what was the
5 date?

6 SPEAKER: August 16th.

7 MR. WOOD: We know there has been a lot of
8 discussion, a lot of meetings and people have a lot of
9 discussions about the jockey weight issue. Please, get
10 the commentary in, it could have an affect on the rule
11 one way or the other, it's August 16th.

12 SPEAKER: The executive director brings up a
13 very good point. If we could get the comments in prior
14 to the adoption of the Board then the staff could make
15 any technical changes and present a much -- hopefully a
16 much more acceptable rule to the Board itself, which may
17 eliminate notification period that we could determine
18 what the substantive changes might be.

19 MR. HARRIS: It would be good if the comments
20 could include any basis for accuracy as far as research
21 that has been done by somebody it would be better to
22 than to comment. You want to do it or?

23 MR. COUTO: As the Board may recall at the last
24 board meeting we ask that there be a delay in starting
25 the 45-day period. The issue was controversy in terms

1 of the size of the increase and the desires on the
2 industries part to work together to find a solution for
3 this. Because we're not opposed to a reasonable
4 increase, but we had to do it in a manner that didn't
5 single California out in terms of having a high weight
6 as compared to other jurisdiction. The industry being;
7 the racetrack, TOC, have met with the riders, had a
8 second presentation with the hope of having
9 clarification. I think we have clarification of what it
10 means, but again, presents it's problems. We, being the
11 group of trainers, owners and race tracks, thought the
12 best solution to this situation was to gain national
13 consensus and plan, again, California acted unilateral
14 so we set up, we now worked to set up a meeting that
15 unfortunately cannot occur until sometime between August
16 13th and 15th which represented disgruntled parties from
17 HPPA and hopefully the THA will join us here as well as
18 colleagues from MEC, Churchill and NYRA, in purpose of
19 digging in on how we work through the plan that has been
20 proposed by the Guild and whether there is an
21 alternative that could be implemented in those four
22 jurisdictions simultaneously this year that provides
23 relief to the riders. Perhaps not to the magnitude that
24 they asked, but a coordinated effort.

25 Chris McCarron is working to coalesce the track

1 side of this and I've been asked to get the horsemen
2 together, we're there. Again, as I said back in June,
3 this 45-day period if it ends on the 15th of August will
4 be a problem given the effort that we're trying to have
5 work out right now.

6 MR. WOOD: That's not an arbitrary thing. It's
7 submitted by statute that is the deadline to get the
8 comments to the staff. But I'm sure we'll have a big
9 discussion in August about the pros and cons.

10 MR. COUTO: Recognizing it's a statutory
11 period, I'd like the board to understand that we're
12 making a pretty wide effort to come up with a good
13 solution and balance all these schedules out. It's
14 difficult, but we'll do our best to get information to
15 you in a timely fashion.

16 MR. HARRIS: It's difficult to get a national
17 consent on this quickly. California can take the lead.
18 There is opinion about the horses from California that I
19 don't agree with, but we need to get comments in, we
20 have not one comment. If people have issues they need
21 to get the process started and try to, you know, not
22 wait around to have a meeting sometime.

23 MR. McCarron: Chris McCarron, Los Angeles Turf
24 Club.

25 I have had communication with Berry Swartz of

1 NYRA and Ken who is representing Churchill Downs, Inc.
2 I've been waiting to hear back from Berry. He told me
3 that he would set up a conversation conference call,
4 with Mike and Ken Dunn and progress is being made and we
5 feel, we feel, "we" being Magna, feel strongly that a
6 racing scale of weights is necessary and but we also
7 feel strongly that it be done on a national basis, I
8 think due to the progress through communications that
9 has been thus far, it's possible to have this done by
10 January?

11 Obviously a lot more information has to be
12 exchanged between myself and Drew and the other
13 representatives of the industry. But it's a deal. I
14 think that if we were trying to forge ahead here and
15 single California out and get it done only here, it
16 could have a negative impact on our field sites and
17 that's the last thing that we want to see happen. We
18 don't want to give training and excuse to run elsewhere.
19 And if it came down to an increase in weights, it's
20 possible that that could happen, there are differing
21 opinions on that, but I don't think that we're willing
22 to put that at risk. But we're making progress and
23 hopefully we'll have a lot more to report by the August
24 16th date.

25 MS. MORETTI: Do we know if any other states

1 are rasing the weights? Are they looking to California
2 to see what we do first?

3 MR. McCarron: No, I don't think that they are
4 necessarily looking to see if California moves ahead. I
5 think that they are willing to move had ahead in a
6 cooperative fashion providing that they know all the
7 facts and information. We had a very good meeting a
8 couple weeks ago at Holiday Park between the jockeys
9 Guild representatives and race tracks and owners and
10 trainers. So, I think that again, I think progress is
11 being made, but I don't necessarily think that other
12 jurisdictions are necessarily looking to California to
13 be the first one. I think that are they are willing to
14 do it in a cooperative fashion, but I can't speak for
15 all the different jurisdictions. I'm speaking for NYRA,
16 Churchill Downs and MEC.

17 RICK: Rick for Holiday Park and Churchill
18 Downs. I'd like to reiterate what Chris has said on
19 behalf of Churchill Downs however, directly in response
20 to your question, we have racetracks in six different
21 jurisdictions and we've had discussions within the
22 company among the track presidents from all of those
23 jurisdictions and there seems to be a consensus, as a
24 matter of fact this issue needs to be addressed, the
25 health of the riders is it criticality important, and so

1 we need to give this our full attention. We also
2 recognize, however, that it is inappropriate for
3 Churchill Downs or any other association to dictate what
4 the race horse will carry without including the owner of
5 that racehorse in the conversation. So, our first goal
6 has been to support a dialogue between NYRA, Magna and
7 Churchill, but also invite the horsemen to the table and
8 invite the jockeys and the trainers to the table.

9 It seems to be based on the discussions that
10 have been described so far that there is a consensus,
11 not only in California but around the country, to do
12 something about this and to do it adequately. I would
13 like to support what has been set here. I think that
14 the worse thing that could happen would be for
15 California to move forward before the rest of the
16 country. I think we would undo the progress that we
17 just made in the Workers' Comp arena where we gave
18 horsemen around the country an excuse not to come to
19 California. I think by raising the weights to California
20 before of the rest of the country we would provide yet
21 another excuse not to come to California. I know that
22 everybody is sensitive to that issue. And I would also
23 say that I think that we can have an agreement, and a
24 national agreement, here very shortly.

25 MR. FISS: Albert Fiss from the Jockey's Guild.

1 With all due respect to the gentlemen that
2 spoke earlier, I have a problem of the idea with trying
3 to make this a national one time only deal. I think
4 that what we find when we try to get something done on a
5 national basis and non-regulatory basis, it never gets
6 done. I reminded commission that it took this industry
7 ten years to get the commonality of the color of the
8 saddle cloths done. I don't think these jockeys can
9 wait ten years for a five percent increase in body fat.

10 On an antidotal basis, the comments that I have
11 received, either by email or letter, from the horsemen,
12 has been almost all positive with regards to improving
13 the conditions of the jockeys with regards to both their
14 weight and their body fat. I hate to see the commission
15 bend to the pressures of a few trainers and a few owners
16 in another tail wagging the dog. I think that we can
17 forward with this proposal in California, use the August
18 16th date as the date that was previously set and move
19 forward.

20 MR. LICHT: That five percent is one piece of
21 it. We could change the rule to have the rule saying
22 that jockeys can't have less than five percent body fat
23 and not change the weights.

24 MR. FISS: Well, what I mean by "tail wagging
25 the dog" is that any public comment that has been make

1 on negative side from the trainers is from the two or
2 three trainers. As the deputy director has indicated
3 you're getting very, very little in the way of public
4 comment or feedback on this issue. I think that the
5 majority of the trainers that we talked to said that as
6 long as the playing field is even we're happy with it.

7 MR. LICHT: Would you be satisfied with a rule
8 that only dealt with the body fat part of it?

9 MR. FISS: I don't think that you can do that.
10 The equipment has to be separated, that's one of the
11 things that we have to move forward with after this rule
12 is in place is improvements to the safety equipment.
13 Whether it be reinforced toes for the boots or
14 reinforced shoulders pads for the safety vests or better
15 safety helmets. Right now, the way that it stands, you
16 really can't address those issues because it again,
17 effects weight. And we need to separate it from the
18 weight of the jockey.

19 MR. HARRIS: David Flores is here. Would you
20 like to make a statement?

21 MR. HALPERN: He'll defer to me.

22 California Thoroughbred Trainers. I want to
23 chirp in also that we also believe strongly that it has
24 to be a national rule and that the feedback that I'm
25 getting from training is very different from that that

1 Mr. Fiss is getting. I'm hearing from a lot of trainers
2 that if California were alone in higher weights.
3 Particularly with two years olds, it is a problem that
4 we have to deal with on a national level.

5 MR. HARRIS: Is there any scientific literature
6 out there that shows that weight does have a detrimental
7 effect on horses, and if so, a greater detrimental
8 effect on an older horse rather than younger horses?

9 SPEAKER: It does go to one of the reasons, you
10 haven't received comments from us, that in order to
11 gather that kind of information it will take time. We
12 have commissioned a study of that very issue and will be
13 getting a report on the effect of the weight on the
14 safety of the animal in the hopes that we're not
15 creating a problem as opposed to solving a problem.

16 MR. HARRIS: I would think there would be
17 something out there already.

18 SPEAKER: With all due respect, Mr. Harris, all
19 these things are easier said than done. To go out and
20 dig up that information and put it up into some form
21 that will be helpful to you is a task, and it is a task
22 that we have taken on as best we can and we're trying to
23 do that.

24 MR. HARRIS: If you look at -- it's popular for
25 trainers to go buy two years olds, do you feel less good

1 about them if they are carry an extra 30 pounds?

2 SPEAKER: I can't answer that question. They
3 are running on different surfaces. There are some
4 components to every factor of this that it is a very
5 confusing subject. But I don't think you want to make
6 any mistakes creating accidents that people may be
7 getting killed or hurt. Let's find out before we move
8 ahead.

9 MR. HARRIS: If somebody could go back and
10 see -- I think the jockeys have some pretty good science
11 on some of their issues, but if it's going to be
12 damaging to the horses we need science on that.

13 SPEAKER: I under your concern, it's our
14 concern also. We're trying to get that information for
15 you as best we can.

16 MR. WOOD: Who did you commission to do that
17 study?

18 SPEAKER: I think his name is -- I know that he
19 specializes in body mechanics and the effect of stress
20 on different parts of the body.

21 MR. HARRIS: Is there a study that he could put
22 pull off his shelf?

23 SPEAKER: No, there is not. That's why the
24 45-day period was a problem.

25 MR. HARRIS: Who commissioned this new study

1 at Auburn?

2 SPEAKER: We went out and hired somebody to put
3 together material for you that would be helpful.

4 MR. HARRIS: There is a new study or it's a
5 compilation of other studies?

6 SPEAKER: Hopefully, I don't know how it's
7 going to turn out, there may not be that much available.
8 Hopefully it will give you some information from every
9 source that this researcher can find.

10 MS. MORETTI: When do you anticipate getting
11 it?

12 SPEAKER: I'm not sure when that will be but
13 hopefully before this date that you're supposed to
14 receive the information. I can't guarantee how helpful
15 it will be once we have it, a lot of this stuff is
16 guesswork.

17 MR. FISS: Just to comment on that.
18 I read a report, I don't know that I still have it, I
19 will look for it and I will send it onto the commission,
20 that a study that showed that increase of ten pounds on
21 the back of a horse generates 1/10th of 1 percent
22 increase in foot-pound pressure on the horses legs. So,
23 like I said I'll look for that report.

24 MR. WOOD: One thing that bothers me, this kind
25 of reflects back on the discussion that we've had, we

1 have good science that front toe grabs may cause
2 detrimental effects on horses over time and we have a
3 hard time getting the racing community to support
4 eliminating toe grabs. Now we're talking about jockey
5 weights, it will have judgemental effect on the horses.

6 MR. MCKAREN: I'd like to reiterate, the risk
7 involved, Albert mentioned he did not know what the
8 inherent risk could be, but I have somebody over here,
9 Mike Harloave, racing secretary, that I had
10 conversations with Mike about this, and if, let's say
11 that at the end of all this discussion you go ahead and
12 pass this new rule and it becomes law, right away very
13 quickly, let's theoretically say it happens before Oak
14 Tree opens, if you have trainers who are cognizant of
15 horses picking up weight and they decide they will go
16 elsewhere, if we lose two horses out of any one of those
17 big races that's a substantial impact. I don't think
18 that we necessarily need to be placing the racing
19 industry in California at that risk. I do believe
20 strongly that some serious progress can be made in a
21 relatively short period of time with the racing
22 jurisdiction around the country. I strongly urge you to
23 give that a lot of thought. We cant be, you know,
24 taking a chance of losing any kind of entries especially
25 in those big races.

1 Now, getting back to the weight, the science of
2 it and the studies and so forth, I hope that CTT is not
3 spending a whole lot of money a long those lines,
4 whoever is spending the money, quite frankly all you
5 need to do is look at past performances. Years ago,
6 horses -- Mr. Harris and I were talking about this this
7 morning, years ago horses used to carry a lot more
8 weight than they do today, and the only reason that they
9 don't carry as much weight these days is the ease of
10 transportation. The choices that transportation affords
11 trainers to go elsewhere. If a trainer does not like
12 what they put on the horse they go somewhere else. That
13 has driven the assignment, the weight assignments down,
14 it becomes a very competitive situation for the racing
15 secretaries around the country to try to entice the
16 horses to participate in their card and not go
17 elsewhere.

18 If you look back at some of the weight that the
19 horses carried as recently as back in the 70s, in 1984
20 carried 130 pounds, it's amazing what they can carry.
21 Now, as far as soundness goes and potential of injury,
22 I'd like to point to steeple chase racing, these horse
23 are going over two and a half miles of big jumps
24 carrying weights up to 160 pounds and they race until
25 they are 10, 11 years old. And I have a friend over

1 here to my left whose husband was getting on Konagold
2 for seven years, he carried 185 pounds every morning and
3 raced until he was nine years old. All he did was set a
4 track record at Churchill Downs 1073, carrying 126
5 pounds. They can do all the scientific studies that
6 they want with pound per square foot on the ground, but
7 the fact of the matter is, horses are more than capable
8 of sustaining an increase in the scale of weights.

9 MR. HARRIS: This is an emotional issue, we
10 need to close it down.

11 DR. JENSEN: Dr. Ron Jensen, equine Medical for
12 the Board. I had a brief conversation, and we're not
13 aware of anything in the scientific literature that
14 studies weight that the horse carries as a risk factor
15 and injuries. We'll try to have that ready next week.

16 MS. MORETTI: Dr. Jensen, I have a question,
17 any of you, the basic premise here over time, people,
18 americans in particular, have grown larger and larger,
19 they are bred to be larger people now than we were
20 before. Is it not also true that horses have been bred
21 down to where they are not as strong or the legs do not
22 offer them the support that they once had?

23 DR. JENSEN: I'm not sure about the thoroughbred
24 horse, I think horses are probably about the same size
25 as they were years ago, they used to carry a lot more

1 weight.

2 MR. HARRIS: This is going to be a long
3 discussion. Let's get all the evidence that we can.
4 And there is a lot of media attention to this. I think
5 that all the different parties need to present their
6 best information.

7 (Recess.)

8 MR. HARRIS: The first item is a report on the
9 West Nile Virus.

10 DR. JENSEN: Dr. Ron Jensen, Medical Director
11 for the California Horse Racing Board. The West Nile
12 Virus in California. I don't think that I'm telling
13 anybody anything new. And I report that west Nile Virus
14 activity is being detected in dead birds, horses and
15 people. Primarily it's still in southern California,
16 reported in Riverside County, San Bernardino County, Los
17 Angeles, Orange and Imperial County.

18 As of Monday it was also -- the West Nile Virus
19 was found in a dead blue jay in Kern County in
20 Bakersfield, Tuesday it was reported in Carson City
21 Nevada and I've heard this morning it was reported, I
22 believe, in Santa Clara County down by San Jose. Two
23 last week. There have been 26 cases in horses, 16 of
24 them were reported in the last week, 19 were in
25 Riverside County and 17 in San Bernardino County. 11 of

1 the 26 cases were fatal. There have been 20 cases in
2 humans in California. Through last week, primarily in
3 Southern California there have been no fatalities.
4 Nationally the West Nile Virus has been detected in 34
5 states in this Country. There have been 113 cases in
6 ten states. Last year at this time there were 5 cases.
7 We've gone from 5 cases in 3 states last year, to 113
8 cases in 10 states this year. And three human
9 fatalities just this year.

10 Personally I wouldn't be terribly surprised if
11 we have a case of West Nile Virus at one of our
12 racetracks. We think that we have good vaccination
13 coverage in most of the horses at the racetrack,
14 although it's probably not 100 percent. Mosquito and
15 bird activity does not stop at the stable enclosure,
16 racetrack enclosure. If we do have a case it's important
17 to not to panic and to remember that West Nile Virus is
18 not transmitted from horse to horse or horses to human,
19 it requires intermediate host of a bird and entrance is
20 transmitted by a mosquito.

21 Bottom line, good mosquito control is important
22 and to that end Del Mar had been working with the San
23 Diego County Control that they are increasing the
24 monitoring and increasing the strain for mosquito larva.
25 And Dr. Ferraro is collecting samples from horses to

1 monitor the situation. Like I said it's here it's not a
2 surprise to anybody it will continue to spread
3 throughout the whole state. I'm quite certain of that.
4 If we have a case at the racetrack it's important not to
5 panic.

6 MR. HARRIS: it's definitely in California but
7 fortunately San Diego County has not had any cases. One
8 of the issues I think is that we try to use the evidence
9 to see where it is, the dead birds. Is there place
10 currently at the tracks where people know if they find a
11 dead bird what to do with it?

12 DR. JENSEN: its pretty well-publicized and
13 veterinarians have received that information through
14 myself and it's pretty well-publicized.

15 MR. HARRIS: If I found a dead bird sitting
16 here in the parking lot what do I do with it?

17 MR. JENSEN: What you need to do is contact the
18 County vector control and they will contact the right
19 people. It has to meet certain criteria, if it's dead
20 two or three days --

21 MR. HARRIS: We have to have something at the
22 rack, we can't call information for vector control. We
23 have to have something at the track when overnight, if
24 we have a dead bird.

25 MR. FRAVEL: I know our maintenance department

1 meeting with the San Diego Health Department and vector
2 control and they have had discussions what to do in case
3 the maintenance people find birds on the ground. I'll
4 confirm that when I get back. I think it's important
5 that we realize that horses are just -- there is no
6 evidence or no reason to think that because there are
7 horses here that there are more likely people affected
8 by the West Nile Virus. There is no correlation between
9 the two.

10 MR. HARRIS: Have you stepped up your
11 mosquito program to where it was years ago?

12 MR. FRAVEL: Yes, the county handles the actual
13 spraying and the monitoring and they've been --
14 typically years they would come out before the meet
15 during the fair one or twice this year. Now they are
16 coming out weekly doing the monitoring and checking and
17 I set traps and the number of mosquitoes out there.
18 It's stepped up from the past years.

19 MR. HARRIS: Why is it, Dr. Jensen, that the
20 hosts are humans and horses, we don't think of them is
21 that closely related where as dogs and things like that
22 don't get it. In what way does it end up in humans and
23 horses?

24 DR. JENSEN: I don't know that, viruses have
25 certain specificity to certain species. West Nile Virus

1 has been reported in dogs and squirrels and racoons, but
2 it's rare.

3 MR. HARRIS: Anything else on West? Nile we'll
4 be onto the --

5 SPEAKER: I have a question.

6 I was wondering if pigeons are a potential host
7 for West Nile?

8 DR. JENSEN: I am not aware that they have been
9 there. Crows are very susceptible. Blue jays are
10 susceptible.

11 If they are, they are not widely-reported. I
12 don't remember one being reported in California

13 DR. FERRARO: Dr. Craig Ferraro, UC Davis.
14 Birds that are important for the spreading and movement
15 of the disease. Crows and the jays die and so the virus
16 kills the host. The ones that do not kill, spread it.
17 We know that crows and jays when they fall out of the
18 trees isn't a problem, but the sparrow spreads it faster
19 than anything else. Also duck, migratory ducks as well.

20 MR. HARRIS: Let's move on. Anything else
21 here? The next issue.

22 DR. JENSEN: Vesicular stomatitis is a disease
23 that affects cattle, horses and swine. Occasionally
24 affects other animals and on rare occasions, humans.
25 The symptoms produce blisters around the mouth area, the

1 mouth and the tongue. Symptoms are usually mild, the
2 effected animals may go lame. And cows decrease in milk
3 production when they are affected. Death is very rare.
4 The transmission has never been completely satisfactory
5 as defined, sharing common feet tubs and water buckets,
6 when the fluid gets into the feet with the water. There
7 is no specific treatment and there is no vaccine. It's
8 a peculiar disease and the outbreaks are very sporadic.
9 There are cases in Texas, New Mexico and Colorado. The
10 last outbreak was 1996 through 1998. And prior to that
11 time the outbreak before that was in 1982 and that was
12 vesicular stomatitis was related to cattle in
13 California.

14 As I said, symptoms are very mild, but it's an
15 important disease because the symptoms resemble foot and
16 mouth disease, which is a significant disease. You may
17 recall in the year 2000 there were four million animals
18 destroyed in the United Kingdom in an attempt to stop
19 the spread of foot and mouth disease. Horses are not
20 susceptible to hoof and mouth disease. It's considered
21 a very important disease because it does effect the
22 movement of horses. When there is a case in a state,
23 those areas are quarantined and movement of horses or
24 any livestock are suspended.

25 It could have a very signature effect for the

1 Breeder's Cup this year. Not so much that horses are
2 concerned about coming to Texas but the concern is
3 getting back to their home country.

4 The California Department of Food and
5 Agriculture now requires that any livestock coming from
6 an affected state, Texas, New Mexico and Colorado, those
7 livestock coming into California have to have a
8 statement on their certificate that the animals did not
9 originate from an vesicular stomatitis area and that
10 they were inspected and free of symptoms of that
11 disease. In addition California Horse Racing
12 Board requires that all horses coming from an affected
13 state have to have a negative test for vesicular
14 stomatitis to be allowed to be here in addition to
15 having it on their certificate. And that includes
16 horses that travel from the california horse racetrack
17 to and affected state and coming back, they have to have
18 a negative test.

19 MR. HARRIS: I thought it was within 30 days?

20 DR. JENSEN: No, 30 days before the departure.
21 If you go to Texas and race you have to have a negative
22 test.

23 MR. HARRIS: Turnaround time is pretty fast?

24 THE COURT: Yes. Like I said, it's an
25 important disease from the standpoint because countries

1 do not want to do business with you if you come from a
2 state that has an affected case.

3 MR. HARRIS: Thank you very much.

4 Move onto staff report of the San Joaquin Fair.

5 MR. REAGAN: Good morning, commissioners. John
6 Reagan, CHRB Staff. Our first fair meet of the summer,
7 little disappointed there with the on-track an off-track
8 decreases, obviously, in terms of the handle offset from
9 a 20 percent increase in the AW that we see all along.
10 We'll continue to monitor the rest of the fair, if you
11 have any questions we'll try to answer them.

12 MR. HARRIS: Any issues on this?

13 Move on. Old business, we have committee
14 reports.

15 MS. GRANZELLA: The Race Dates Committee held a
16 meeting to discuss the 2005 Racing Calendar in the
17 Satellite Wagering Facility at the Alameda County Fair
18 in Pleasanton on July 1, 2004.

19 Taking the calendar by breed and zone, the
20 northern thoroughbred and fair schedule was examined.
21 However, representatives of Bay Meadows, Golden Gate
22 Fields and the TOC advised the Committee that they were
23 working on a revised schedule for northern daytime race
24 meetings and would forward the new compromise as soon as
25 possible. CARF and other fair representatives made

1 their annual plea for a reduction in overlap days but
2 given the lack of a concrete proposal from the
3 thoroughbred interests, agreed to delay further
4 discussion until the next Race Dates meeting.

5 Next to be reviewed was the southern
6 thoroughbred and fair schedule. However, the Committee
7 was advised by representatives of those associations
8 that they were also working on a possible revision of
9 their prior proposal and asked for more time to work out
10 the details.

11 The harness industry was the next to present
12 its proposal to the Committee. The Committee heard from
13 the Harness Association and harness horsemen as well as
14 the representatives of the two facilities showing
15 interest in harness dates, Cal Expo in Sacramento and
16 the San Joaquin Fairgrounds in Stockton. The committee
17 received the competing requests. No input was given for
18 the quarter horse dates for 2005.

19 Since the July 1 meeting, further input has
20 been received from the northern and southern
21 thoroughbred groups. That input as well as the
22 Committee's will be reflected in the Dates Committee's
23 proposal for the 25 Racing Calendar that will be
24 presented at the Committee's meeting tomorrow (July 23).
25 It is anticipated that the Committee's proposal will

1 form the basis of the continuing discussion regarding
2 the 2005 race dates.

3 MR. HARRIS: Is that proposal available now?

4 MR. WOOD: The proposal? No, not yet.

5 MR. HARRIS: That will be presented at the
6 meeting tomorrow?

7 MS. MORETTI: No, not tomorrow.

8 MR. HARRIS: Is there like a proposal now that
9 is kind of somewhat of a benchmark of where you are?

10 MS. MORETTI: Tomorrow we'll have one.

11 MR. HARRIS: It's turning into a lot more
12 complex series of discussions than I envisioned, but
13 there are a lot of things that people are concerned
14 about.

15 SPEAKER: Hollywood and Magna have different
16 ideas of how the schedule should be allocated. The
17 economic impact of each of their proposed schedules to
18 the state and the horsemen and to labor.

19 MR. HARRIS: I'd like to see that before the
20 next meeting.

21 MR. REAGAN: The meeting tomorrow is at 9:30,
22 sometimes people show up at 10:00, it's 9:30, earlier
23 than today.

24 MR. HARRIS: Any other -- we should not get
25 into discussion of this it will be discussed tomorrow

1 under general business communications, reports, old
2 business.

3 Adjourned.

4 (Recessed for executive session.)

5 (End of meeting 12:23 p.m.)

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REPORTER'S CERTIFICATE

I, Laura Longarini, a Certified Shorthand Reporter
for the State of California, do hereby certify that I
reported in shorthand the above proceedings on July 22,
2004; and I do further certify that the above and
foregoing pages contain a true and correct transcript of
all of said proceedings.

IN WITNESS WHEREOF, I have subscribed my name
this 6th day of August, 2004.

LAURA LONGARINI, CSR NO. 12384

